HOW THE FARM SECURITY ADMINISTRATION IS HELPING NEEDY FARM FAMILIES

Approximately 3,000,000 American farm families are existing today on abnormally low incomes and at unwholesomely low standards of living. Many are in extreme poverty. Almost 2,000,000 rural families were on relief in 1935; and relatively few of them are better off today.

Both as producers and as consumers, this group of low-income farm people has been forced to retain primitive standards in a modern world. While American industry has adopted turret drills and automatic machine processes, these families have continued to cultivate the land with one-row, horse-drawn equipment and hand tools. While the big commercial farms have adopted highly efficient machinery and modern agricultural methods, most of these 3,000,000 families still use the same farm management patterns which were common a century ago. While the tides of technological progress have swept on across the country, this group has been left to one side in a sort of stagnant eddy. The effects of this poverty and technical inefficiency on the national economy are little realized.

In 1930 the census reports revealed that about 90 per cent of the farm products going to market came from 50 per cent of the farms. The other half of our farmers were receiving only one-tenth of the gross cash income from agriculture. Since that time, the growth of industrialized farming has continued to squeeze the more poorly equipped farms out of the commercial market.

At the present time, it is probable that nine-tenths of the farm market is supplied by considerably less than half of the nation's farms. Mechanization -- which usually is associated with large-scale, commercialized farming -- has continued at a rapid pace. There were 1,527,989 tractors on American farms on April 1, 1938, more than a third of which had

been purchased since 1935. More tractors were sold in 1937 alone than were in use on all American farms in 1920.

As a result, many thousands of tenants and sharecroppers have been forced down to the status of day laborers, with little chance for more than a few month's work a year. On a typical Delta plantation, for example, the introduction of tractors and four-row cultivators reduces the necessary number of tenant families from 40 to 24. Other technological improvements, together with mechanization, have greatly decreased the demand for farm labor. Today it is possible for this nation to meet the normal requirements in farm production, both domestic and foreign, with 1,600,000 _fewer_ workers than in 1929.

In the face of this declining demand for farm labor, the farm population still is growing faster than any other group. The annual increase in the working farm population is now about 445,000 persons. In the past, most of these people would have sought work in the cities, or would have opened up new lands on the frontier. Today the majority of them have no alternative but to join the army of migratory farm laborers, already swollen far beyond normal needs by the families forced off the land by drought and mechanization.

To make matters worse, the largest increase in population is taking place in the areas with the least economic opportunity. The 400 counties with the lowest living standards are the very ones with the fastest growth of population.

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In the face of this declining demand for farm labor, the farm population still is growing faster than any other group. The annual increase in the working farm population is now about 400,000 persons. In the past, most of these people would have sought work in the cities, or would have opened up new lands on the frontier. Today the majority of them have no alternative but to join the army of migratory farm laborers, already swollen far beyond normal needs by the families forced off the land by drought and mechanization.

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by about 4,000,000 -- approximately the number of new workers added since 1929. Five years from now, there will be another 5,000,000 new potential workers, nearly half of whom are growing up in farm families.

This pressure of population in rural areas has imposed heavy burdens on the Federal treasury. In five rural problem areas -- regions with much poor land, low income, and high birth rates -- 15 to 20 per cent of the families were on relief in 1934 and 1935, or twice as many as in "normal" areas. Federal aid has amounted in some problem area counties to $200 for each man, woman, and child. In other rural areas the average is below $50 per capita.

The low income and low living standards of the bottom third of our farm population has shut them out of our productive economy -- excluded them as effectively as if they were in another nation. Since they lack the essential capital equipment in adequate land and tools, they are necessarily unproductive. They contribute few goods and services, and they are able to buy only the barest necessities. They represent an untapped potential market far more important than most Americans realize.

The last census disclosed that even in "prosperous" 1929, about 1,682,000 farms reported a gross income of less than $600 -- and that figure includes all farm operating expenses, and all foodstuffs raised for home consumption. A more recent study by the National Resources Committee indicated that in 1936 more than 1,690,000 farm families had an average income of less than $500 a year; and nearly half of these families had incomes of less than $250 a year. In other words, about 4,000,000 farm people were trying to eke out an existence on an average income of about $1 a week.

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The sub-standard living conditions which a large share of our farm population must endure inevitably means bad health -- which imposes heavy costs on the national economy. Malaria, which is largely due to lack of window screens, takes a tremendous toll of labor efficiency, particularly in the South. When a family is so poor that it cannot even afford an outdoor privy, the probability of hookworm infection is extremely high. In one rural county in the South, the Farm Security Administration recently found that about 60 per cent of the school children had hookworm disease.

In view of the fact that one child out of every ten comes from the 3,000,000 farm families in the lowest income group, the health menace to the national manpower of the next generation is apparent. It is all the more serious, since few families in this group can afford adequate medical care.

The number of children who grow up ill-equipped physically, however, is dwarfed by the number who are ill-equipped mentally. Low incomes cannot support adequate education. The farm population as a whole is expected to rear and educate 31 per cent of the nation's future workers, although the farm income is only about 11 per cent of the national total. Consequently, an adequate educational system is simply beyond the reach of many agricultural states. Mississippi, for example, would have to spend more than 99 per cent of its entire tax revenue for school purposes, if it were to bring its educational expenditures up to the national average.

It is hardly surprising that the 3,000,000 neediest farm families are consuming very few industrial products. The extent of their underconsumption is indicated by the fact that in 1934 more than 25 per cent of all American farm homes lacked window screens; more than a third were

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unpainted; and an additional 30 per cent needed repainting. More than 70 per cent of our farm homes lacked a kitchen sink with a drain, and only one out of every ten had an indoor toilet. In the South nearly one-fifth of the farm homes did not even have an outdoor privy.

If farm homes could be brought up to the American standard of living--or even to the minimum standards of health and decency--the building industry would enjoy boom conditions for many years to come. Even in 1929, about 1,500,000 tenant families were living in houses valued at less than $475; and in the South half of all farm owners were living in homes worth less than $560. Competent engineers have estimated that it would cost approximately $3,500,000,000 to put our inadequate farm structures in good repair.

A recent study of the purchase of cotton textiles gives an even better indication of underconsumption among low income farm families. It disclosed that the average housewife spends $6.94 a year for cotton wearing apparel; but if the family's income is less than $500 a year, her purchases of cotton decline by nearly one-half. The average husband spends $12.02 annually for cotton clothing; but his expenditures for this commodity fall by more than half, if the family income is below $500. Cotton household items, such as sheets and towels, cost the average family $6.88 a year; but for the income class below $500, this expenditure falls to $1.64.

The survey also indicated that if family incomes could be raised to a minimum of $1,500 a year, purchases of this kind of cotton goods would increase by about $208,000,000 annually. Of this sum, about $110,000,000 would go into manufacturing, $70,000,000 into transportation, and $25,000,000 into raw cotton. Comparable increases, of course, might be expected in the

consumption of other necessities. The survey gives only a hint of the spurt in industrial profits and employment which might be expected if this low income group could even approach the American standard of living.

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There is no single, simple answer to the problem of rural poverty. Industrial recovery would provide an outlet for some of the surplus population which is piling up on the farm; but it would have to go far beyond the 1929 level of activity and absorb millions of urban unemployed, before migration to the cities could be resumed on the old scale. Some way may be found to provide a badly needed expansion of the service employments -- particularly education and health -- in the rural areas. A housing program to clear out rural slums may develop in the wake of the urban housing movement, as it has in other countries. A stimulation of industry in rural areas, coupled with subsistence farming, might provide a partial solution.

There is still another method of dealing with rural poverty which has proved highly successful, and which involves a relatively small cost to the taxpayer. This is the rehabilitation loan program of the Farm Security Administration.

Since 1935 the Farm Security Administration has been making small loans -- averaging about $350 each -- to needy farm families, to enable them to get a new start on the land. Ordinarily such loans are just large enough to finance the purchase of the seed, livestock, and equipment necessary to carry on farming operations. They are re-payable over a period of from one to five years at five per cent interest.

The government takes a chattel mortgage on all goods purchased with a rehabilitation loan, and on any other possessions the borrower may have.

As an additional protection for its investment, FSA provides technical advice and guidance in sound farming methods to every borrower, to make sure that every penny of the money is used to the best advantage. Each loan is based on a farm and home management plan, carefully worked out by the borrowing family and the FSA county supervisor. Such a plan is the best possible guarantee that the family will become permanently self-supporting, and that the government's investment will be repaid.

Since this program was started four years ago, the Farm Security Administration has loaned more than $320,000,000 to 750,000 needy farm families -- many of whom were once on relief. Judged by normal standards, these families were the worst possible credit risks, since none of them could obtain adequate credit from any other source. Already, however, they have repaid more than $82,000,000 into the Federal treasury, although much of the money will not be due for four or five years. It is estimated that approximately 80 per cent of the funds loaned eventually will be repaid with interest. The losses are largely concentrated in areas of the Great Plains which have suffered several years of severe drought.

The annual net cost of the rehabilitation loan program -- including all losses and expenses of administration -- amounts to less than $75 for each family aided. This is without doubt the lowest cost to the taxpayer of any kind of help for needy families.

Moreover, rehabilitation differs fundamentally from all other types of aid, because its whole purpose is to help needy families escape the relief rolls and become self-supporting. It has proved eminently successful in achieving this goal. Although the normal period of rehabilitation is five years, and the program has been in operation for only four, more than 87,000 families already have paid off their loans in full and

"graduated" into a self-supporting status.

The remaining ~~families have made surprising gains~~ in their net worth, standards of living, and capacity for self-support. At the end of the last crop year a survey was made of 232,947 typical rehabilitation borrowers. It disclosed that they had increased their net worth -- over and above all debts, including their obligations to the government -- by a total of $61,817,903 since they first obtained loans. This was an average increase of $265.37 per family, or more than 37 per cent.

At the same time, these borrowers had tripled their production of food for home consumption. The average family had increased the amount of fruit and vegetables which it canned from 51 quarts annually to 221 quarts; and its production of milk for home use rose from 99 gallons a year to 465 gallons. Comparable gains were reported in the production of meat and eggs for home use.

This increased production does not mean competition with other agricultural areas, because virtually all of the additional foodstuffs were consumed on the farms which produced them. It does mean better diet and better health for the needy and handicapped families which are taking part in this program. In many cases, rehabilitation borrowers are actually decreasing their production of surplus crops, because they are turning part of their land from cash-cropping to subsistence farming.

One of the commonest causes of farm distress is the fact that many farmers are over-burdened with debt, which often was contracted during periods when farm prices were much higher. Consequently the Farm Security Administration has set up a debt adjustment service, through which all farmers -- whether or not they are FSA borrowers -- may arrange amicable settlements with their creditors. The negotiations are conducted by

voluntary local committees; they have no legal authority to force adjustments, but in most cases they are able to reach a settlement through friendly discussion.

By March 31, 1939, such voluntary debt adjustments had been arranged for more than 100,000 hard-pressed families. Their obligations had been scaled down by a total of $86,000,000, or more than 26 per cent; and the creditors, in turn, were assured of substantial payments on what might otherwise have been bad debts. As a result of these adjustments, more than $4,500,000 in back taxes was paid to local governmental agencies.

The rehabilitation work can no longer be called an experimental program. It is an effective, thoroughly tested instrument. It has demonstrated that the neediest farm families can be restored to a self-supporting, independent status. Many thousands of them -- which once were a burden on the national economy -- already have become productive members of the community. Their newly-created purchasing power is exerting a far-reaching influence on our entire economic machine.

So far, however, the rehabilitation program has never been large enough to reach more than a fraction of the nation's most handicapped and impoverished farm people. FSA field employees recently reported that they personally knew of nearly 400,000 families which were eligible and in urgent need of rehabilitation loans, but could not obtain them because the money was not available. Undoubtedly, there are thousands of additional families in equal need, which have not applied for FSA help because they knew that applicants already were being turned away.

A large percentage of this group already is dependent to some extent on relief, or is in danger of being forced onto the relief rolls in the near future. Many of these families are likely to become migrant laborers,

without homes, security, hope of a decent living. The great majority of them could climb back to decent living conditions and self-support, at relatively small cost to the taxpayer, if adequate funds were available for rehabilitation loans.

May 15, 1939